Classical Sociology Theory
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Lecture No. 20
Theory of Capitalism-1

Welcome back to the class, we are beginning a discussion on Karl Marx's arguments and his theorisations about Capitalism. Marxist formostly was an economist, of course he was also a historian, a political scientist a sociologist, but the most significant contribution of Karl Marx as an intellectual lies in his analysis of capitalism, as an economic system.

While this is a course on sociology, we cannot really ignore his arguments about Capitalism because his analysis of Capitalism is very closely connected with the host of other aspects and other themes that he wants to discuss about the human society such as the conditions of working class, the way in which the capitalist class make profit, the questions of exploitation, the questions of discrimination, social change, and the way in which capitalist class controlled other aspects of society including ideology, political power, state power, and the host of other things.

So far we have discussed Marxian understanding about social change, his arguments about dialectical materialism and now we will have two sessions on Marxian notion of capitalism. Because it is a elaborate one and we need to spend two sessions for that. So, let us begin.

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Karl Marx is the foremost theorist and critic of capitalism. May be there could be hardly any other economist who spent his or her intellectual energy to understand the way in which a particular economic system functions or capitalism functions as the case of Karl Marx. And his most substantial body of work, The Capital in three volumes are devoted to understand it through a meticulously economic analysis of capitalism.

Marx wanted to understand the capitalism's functioning, uniqueness, the nature, the reason for the its resilience, its weaknesses, the ways in which it exploits people, because Marx very strongly believed that it is far more complicated system than the previous forms of economic organisation or economic or modes of production like fuedalism of salvery. And then Marx also was one of the most stringent critiques of capitalism.

While he was a critique, he wanted to understand how it works. So, the following are some of the very important economic analysis of Marx, in which he brings in quite a new terms and termonolgies, new ideas, new perspectives, in light. So, Marx uses the notion of use value and exchange value as a primary building blocks for his theory on capitalism. Marx use the notion of the use value, as a value emanating from its use and consumption of any material.

For an example if somebody produces a pair of chappals, these chappals are used by people and it has a value emerging from the fact that it can used and it can be consumed. A shirt or a pen, or food or or any economic product has a use value when it is been consumed. On the other hand exchange value, is when is produced as commodities, goods are destined for a sale or a exchange, rather than personal consumption and aquires this dual character.

You know when economy develops from a hunting-gathering system to that of a most settled agricultural life, this entire network of exchange also develops, people produce various things and they exchange in either formal or informal market, for other forms of goods. So, Marx argues that, this particular time, most of the goods acquire this duel character. One is that this material can be consumed, thereby acquiring use value, and secondly they can be exchanged for certain other goods, thereby acquiring exchange value. Along, either they can be consumed or they can be exchanged for other goods.

In the pre capitalist circuit of commodity exchange, one commodity that is C is sold for money which in turn used for purchase of another commodity. Marx refers to this cycle of exchange as C-M-C as the simple circulation of commodities. So he is making a theory trying to understand what is something unique about the capitalist system. In the pre capitalist

circuit of commodity excahnge, one commodity is sold for money, you sell one commodity in the market and you get money and with that money you buy something else. So, it is a C-M-C, implying the circuit of commodity money and commodity.

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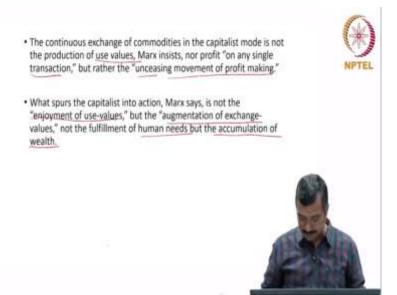


With capitalist commodity production, this simple circuit of exchange is inverted. Money is used to purchase commodities, which after some refashioning, are subsequently sold for even more money. So here, you are talking about a captalist system where raw mterials are brought in, and labor is involved, and it is refashioned in to certain other thing, and then sold for even more money. So, you use money to buy commodity, you refashion it, you invest your labor and another thing, and you sell it for more money.

Here that previous equation of C-M-C is inverted into M-C-M, implying money, commodity and money. With the simple circulation of commodities in precapitalist circulation, money is spent to satisfy needs. Selling inorder to buy. You could sell certain thing, inorder to buy certain other things immediately to satisfy your needs. With the capitalist ciculation of commoditis, money is invested to accumulate more money. It is the, the ultimate objective is not to consume, but to make more money, but to buy new items.

Money is invested to accumulate more money, meaning buying inorder to sell. The goals of these two circuits of exchange differ. In the pre capitalist mode of production, it was consumption and in the first case and profit in the second case. So, the second circuite, you buy certain thing and you refashion it, you sell it and the ultimate aim is to make more money. That money is nothing but profit as per Marxian argument.

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The continous exchange of commodities, in the capitalist mode, is not the producton of use value, Marx insists, nor profit or any single transaction but rather the unease, unceasing movement of profit making. So, if in the pre capitalist society, this transaction was very simple and it ended with consumption, in a capitalist situation, Marx argues that making profit becomes a never ending process. Making profir becomes a never ending process, and because this transaction does not close in the first transaction itself.

The continous exchange of commodities, in the capitalist mode, is not the production of use value, Marx insists, nor profit or any single transaction but rather the unceasing, the endless movement of profit making. What spurs the capitalist into action, Marx says, is not enjoyment of use value. This is an extremely important point when he develops his argument about fetishism of commodities. You are making things not for the consumption, but not for the enjoyment of use value, but for the augmentation of exchange values. Not the fullfillment of the human needs, but for the accumulation of wealth.

Marx argues that, this feature made capitalism an extremely desirable, extremely profitable, extremely alluring form of economic activity. That you have reached the state where, all your basic needs have met, but humn beings have identified a new system where unending forms of wealth can be created through this continous exchange of goods.

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Another extremely original argument that Marx brings into this entire discussion is his labor theory of value. He brings human labor as a central theme in this entire analysis of economic activity. We will discuss his preoccupation with the labor in coming class as well, when we discuss his arguments about alienation. And this is a central concern for Marx. The ability of human beings to work, and to produce certain things, as Marx's has argued is a unique ability of human biengs, that is something so special to human species that seperates human beings from other animals or other species. And that is something unique on various counts.

Marx is extremely disturbed when this particular unique ability of human being is been distorted under this system of capitalism. In his arguments Marx believes in a romantic ideas about a class-less society. Marx believes that himan beings will be able to fully enjoy his labor, will find happiness in his labor. Whereas in this exploitative system of capitalism, a worker does not find any enjoyment while doing his work.

This idea of labor has very important position in both Marxian phylosophical arguments as well as his economic analysis. One of the fundamental features of commodities exchange that make them comparible is that they are produced of abstract human labor. When you produce certain thing or bring in couple of raw materials and then make new products out of that, this new product is not mere assemblage of all the raw material, but rather there is labor involved.

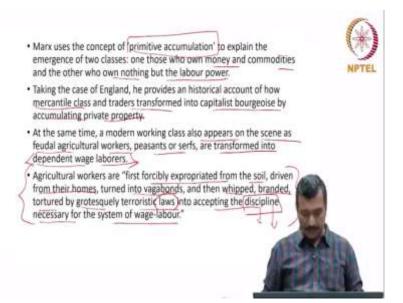
It is the labor which is actually gives shape to this new commodity, and they are the products of abstract human labor. Marx is deliberately using this abstract human labor in order to make as a blanket term to describe different forms of labor, both skilled and unskilled and others.

That means labor in general measured in units of time, ignoring the specific operation that differentiate one kind of work from the other.

Marx is talking about the kind of time invested by worker, inorder to produce a particular product. This line of thinking leads Marx to adopt a labor theory of value. The relative value of commodities, he states, are determined by the respective quantities or amounts of labor, worked up and realized or fixed in them. Marx argues that one of the most important ways of making sense of a value of a particular object is to understand the amount of human labor that is invested in, worked up, realized, fixed in them.

Because without human labor a product cannot be produced. The value of the product is not only the value of its raw material, but the amount of human labor that is been invested in that. In sum, the Marx's labor theory of value is this, 'commodities exchange according to their average labor time, needed to produce them under normal conditions of production'. So, once commodities gets exchanged, that happens on the basis of average labor time needed to produce them under the normal conditions of production.

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Marx uses the concept of premitive accumulation, to explain the emergence of two fundamental classes. One those who own money, means of production and commodities and other who own nothing but the labor power. This is an extremely important argument about the primitive accumulation, how wealth is being created, how this particular class emerges as a class that owns most of the means of production in different stages in history.

Marx gives a detail analysis of emergence of capitalism in England. Taking the case of England, he provids a historical account of how a mercantile class and traders transformed into capitalist bourgeoisie by accumulating private property. Marx, in deatail elaboration talks about a small class of mercantile class and traders transformed into capitalist bourgeoisie. He talks about how this small agricultural land was taken over by this group and then this all agriculture itself transformed into kind of capitalist enterprise.

At the same time, a modern working class also appears on the scene as agriculture workers, peasants or serfs, are transformed into independent wage laborers. This is the great transformation that we discussed, in the previous sessions as well. when feudalism breaks down, and capitalism emerges, the fundamental form of economic activity is transformed form that of an agriculture, to that of industrial society. When a rural society transforms itself into Urban society and when industrial production replaces agricultural production along with a bourgeoisie class, who owns these new factories and and technologies, and tools and other thing.

There is also an emergence of a new class of laborers who earlier were the feudal agricultural workers. Who were affliated to specific masters, now they become more free dependent laborers. Peasants of serfs are transformed into dependent wage laborers. And this qualities, this characteristic features of these wage laborers are something very important which we will discuss now.

Agricultural workers are first forcibly expropriated form the soil, driven from their homes, turned into vagabonds, and then whipped, branded, tortured by grotesquely terroristic laws into accepting the discipline necessary for the system of wage labour. This is an extremely important argument because, the idea of primitive accumulation is still used by a host of scholars to understand what is happening even in the comtemporary times.

When mega development projects are brought in, ordinary peasants are forced to displace and aggricultral land is taken over. We are familiar with this argument about devopment through displacement or forced eviction, where large thousands of people are displaced in the name of development. There are quite lot of scholars who make use of this particular argument about primitive accumulation to make sense of that.

This is exactly the kind of process that takes place. The they are first forcibly expropriated from the soil, driven from their homes, turned into vagabond and then whipped, branded, tortured by grotesquely terrioristic laws. We know that bourgeoisie cannot enact laws by themselves, they only have wealth. But the Marx argues that the state, the political elite, are the one who will work for the interest of the bourgeoisie. The state will enact laws which would immediately support the economic interest of the bourgeoise.

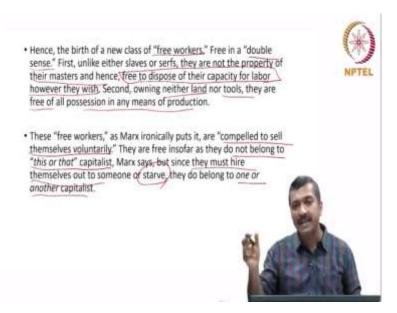
They will never support the law or never formulate a law that would support the interest of the working class, because the state definition, by its own character, supports the interest of the bourgeoisie. Workers are only left to fend for themselves. Workers are able to find any solution only their own organised activity and then collective bargaining into not accepting the discipline necessary for the system of wage labour.

This is very important term, what a kind of discipline required for the wage labourer? There are very fascinating arguments about it. You know that the evryday life organisation in feudal society was completely different from that of a capitalist era. The setting of factory and the sound of siren, are extremely important in organising human acitivity in a capitalist

era. With a sound of a siren you start your work, and with another sound, you pause for your break, again you resume at the sound of a siren.

Therefore, the siren or decides the rythem of human acitivity. Once the siren begins, you are supposed to enter into the firm, into the production under strict survailance. Remember the factories scene in the Charlie Chaplin's the modern times. That requires discipline, that requires some level of education and some amount of obedience at a mass level, and the role of the state is something very important in making that kind of a disciplined and docile working class.

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Hence the birth of a new class of free workers. Free in a double sense. First, unlike either slavess or serfs, they are not the property of their masters and hence, free to dispose of their capacity for labor, to however ot whover they wish. This is an extremely important point again. If you remember the previous session, where we discussed Marx's notion about the revolution, he argued that the changes in the forces of production will force changes in the relations of production

When technological changes takes the modes of production into a particular level, then it will realise that the existing relation of production is no longer conducive for development. And then that will be seen as a fetter, as an obstacle and an impediment. That conflict leads to a revolution where the forces of production are much advanced, and relations of production is also completely redefined.

Marx would argue that, you could not had a fuedal type of relationship between workers and

the bourgeoisie. In the era of capitalism, you can not have the workers being owned by the

bourgeoisie. There is no need for it or it will only hinder the further development. The

emergence of a new free class of workers who are free, in comparison with the slaves and,

and the serfs free to dispose the capacity of labor is a very important historical change.

This particular new class of free workers are free to dispose the capacity to labor however

they wish. They can sell their labor to the higest bidder. They are free agents, and can work

in a particular factory, then they can resign and can go to the next one, as they can offer to

sell their labor to anybody who gives them the highest amount of money. Second meaning of

the term, is that the workers owns niether land nor tools, they are free of all possessions in any

means of production.

That is another interesting ways in which Marx calls them as free workers. Because they are

free of all possesions, as they do not own land, they do not own any tools and they are free.

These free workers as Marx ironically puts it, are compelled to sell themselves voluntarily.

Again, you see the play of words, these 'free workers are compelled to sell themselves

voluntarily'. They are compelled to sell themselves voluntarily, because they have only their

labor to sell to meet their daily needs.

They are free in so far as they do not belong to this or that capitalist. They are not affliated to

one permanentely, they are not owned by this capitalist X or Y, Marx says, but since they

must hire themselves out, to someone or starve, they do belong to one or the another

capitalist. It is a very very interesting formulation. Therefore, they have two options, one

option is to be free, but being free does not fetch you food, so the other option is of selling

yourself is to avoid starvation. Because you do not have anything to eat, do not own any

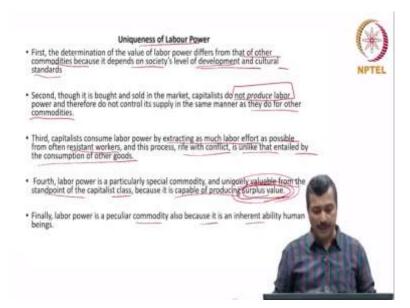
means of production, do not have any land, do not have any tools, and you only have one

option, that is to sell yourself, sell your labor.

Since they must hire themselves out to someone or starve, they do belong to one or another

capitalist. So, either they belong to particular capitalist, x or y.

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He further elaborates the uniquenes of labour power. There are four or five important points to understand. First the deremination of the value of labour power differs from that of other commodities because it depends on society's level of development and cultural standards. So we know that, the quality of labour power, is quite different in different epochs in history. So, the value of labour power is dependend on the society's level of development and the cultral standards, how much you value the labour power.

Second, though it is bought and sold in the market, capitalists do not produce labor power and therefore do not control its supply in the same manner, as they do for other commodities. This is very unique way in which the relationship between the capitalist and the workers are defined. Capitalist cannot produce labor power in the same way they produce raw material. It becomes an independent variable.

Third, capitalists consume labor power by extracting as much labor power as possible from often resistant workers, and this process entailed with conflict, unlike that entailed by the consumption of other goods. Again, the relationship between the capitalist and the workers is quite different, because here capitalists is dealing with the workers and here the old saying, 'time is money' is relevent.

Again remember how Charlie Chaplin depicts the worker who is constantly forced to ramp up his activity. The pace of his work is so frantic, that he hardly gets time for everything. So, in a factory, the workers is under relantless survailance to maintain a specific speed which is often decided by somebody else. So, he becomes a cog in the largest scheme of things. So, unlike anyother commodity, the capitalist always have a very problematic relationship with

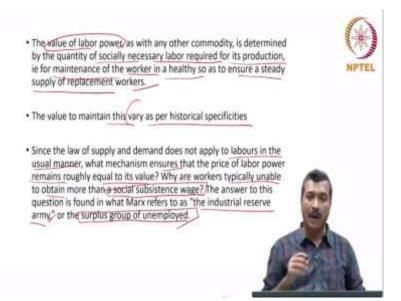
that of the workers. Reistant workers, and this process, rife with conflict is unlike that entailed by consumption of other goods.

Fourth, labor power is a particularly special commodity that is uniquely vluable from the standpoint of the capitalist class, because it is capable of the producing surplus value. This is the key of Marxian analysis of capitalism. Marxian analysis of capitalism as we will see in the coming slides, is completely revolves arround the idea of surplus value. And according to Marxian economics, the surplus value emerges not from the traw material, not from the technology, but from the labor.

Finally, labor power is a peculiar commodity also because it is an inherent ability of human beings. The labor power is uncomparable with any other raw material or anyother technology because it is an inherent quality of human beings. Which involves their creativity, involves their sense of aesthetics, their boundless forms of imaginations, so you cannot really compare the labor power with that of anyother commodity.

Though we usually have a very gloomy picture about human labor, when we look at it only in a crude physical form, Marx had a much larger understanding about the potentials of human labor, which includes a human beings ability to imagine, to be creative, to work with ethics, to work with a politically consience manner. With this ability, human biengs are somebody who are unique. Marx understood the ability of lobor as very significant, extremely important, which is incomparible with anyother forms of say raw material or technology or other aspects.

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So, the value of labor power, as with anyother commodity, is dertemined by the quantity of socially necessary labor, required for its production, that is for maintenance of the worker in a healthy, so for has to ensure a steady supply of replacement workers. So, here this is again a very important point, so Marx argues that, the value of the labor power has to be something it is not only that seen as a compensation of the, of, of of the time that worker spends in, in, in the factory. Rather, you need to keep that worker in good condition, you need to ensure that the worker is able to function as a, as a, as a normal, as a function member of the society.

You need to have a socially necessary labor time required for its production, that is for the maintainance of the worker in healthy, socially productive in a more, humane manner, in a more civilised manner and to ensure a steady supply of replacement workers. So, you also require a steady flow of replacement workers, meaning the numeration of workers should not be seen simply as the exact numeration of work that he is producing at the time of work.

Rather, numeration of the value of the labor probably is much more, much more higher, because a person is only able to work if his social life, or his family life, or his other existence as a healthy human being is taken care. And he is also supposed to give birth to new children and to find out replacement of workers. The value to maintain this vary as per the historic specifications. When society moves from one stage to the another, when society improve, the needs also expand, and the quality of people change, aspirations of people change, the requirements of people change.

So, the value of wage to maintain this power is also vary as per the historical specifications.

Since the law of supply and demand does not apply to labours in the usual manner, what

mechanism ensures that the price of labor power, remains roughly equal to its value? Why are

workers typically unable to obtain more than a social subsistence wage? The answer to this

question is found in what Marx refers to as the industrial reserve army, or the surplus group

of unemployed.

So, on the one hand, Marx argues very vehementally that the labor power cannot be

compared with other forms of raw material as it is innately, qualititavely different. It is

something very important and the worker needs to be compensated not only for meeting his

immediate needs such as hunger but it has a much larger value. But in reality, Marx argues,

given the conditions of factories and industries scenarioworkers are paid the minimum.

The workers are paid the bare the minimum to meet their subsistence. If you look into the

history of labor struggles and working conditions, across Europe, or across the world, what

we see is nothing but the stories of exploitation. Whether it is in coal mines, or in agricultural

fields or in a anyother field, the workers were barely kept as healthy people. They were given

food and given bare minimum clothing so that they are able to work.

Marx understood that the workers are never honored or appreciated or their potentials

realised in the actual setting. Marx is asking why that the workers are not compensated the

way they should have been and why the workers typically unable to obtain anything more

than a social subsistence wage. The answer to this question is that there is an industrial

reserve army of workers or there is a surplus group of unemployed people at all the time.

There is an excessive supply of people.

Why? The the industrialists are not able to control the supply and demand as they can do with

other rawmeterials. For example, if they can reduce or increase the prodcution of oil or any

other raw materials, but in the case of labor power, the bourgeoisie has hardly any control

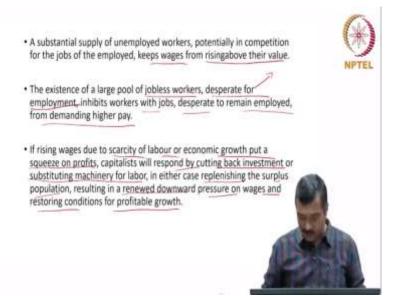
over the availability of that. So if time industrial reserve army already exist, there is a surplus

group of unemployed people who are always, already waiting there to be employed. And that

plays a very important role, in keeping their wages much lower than what they actually

deserve.

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Therefore the substantial supply of unemployed workers, potentially in competition for the jobs of the employed, keeps wages from rising above their values. So, there is always a reserved army of unemployed or people waiting to be employed and who are ready to sell their labour at much lower rate than what they actually deserve, so that the bourgeoisie's are able to keep the real wages always lower.

So the idea of reserve army of labour implies existence of a large pool of jobless workers desperate for employment. This situation Inhibit workers from demanding better wages and forces them to remain employed from demanding higher wages. Therefore the moment you ask for higher wages, they could be terminated and another group of people who are desperate to get employed can be employed at much lower wage.

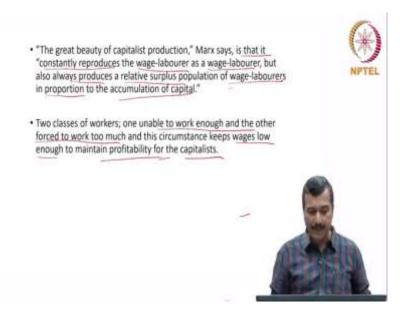
If there is a phase of sudden economic expansion, then you might find the scarcity of labourers and then the rate of the labour might go up. In that situation capitalists will respond by cutting back investment or substituting machinery for labour.

Because this is something which will badly affect, the prospect of profit for the bourgeoisie so they would cut down either, investment or substitute machinery for labour. In either case, replenishing the surplus population, resulting in a renewed downward pressure on wages and restoring conditions for profitable growth. So, Marx has an elaborate discussion on the basis specific experiences in Europe about how this cycles of upward and downward growth occur.

On the basis of experience of England and other western societies, Marx has very elaborate explanations about this upward and downward growth of industries. How those were

monitored, they were mastered and the wages were always kept at a low and the profit was ensured.

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The uniqueness of capitalist production, Marx says, is that it constantly reproduces the wage labourer as a wage labourer, but also always produces a relative surplus population of wage labourers in proportion to the accumulation of capital. So this, he argues, is the crux of capitalist mode of production, is that it constantly reduces the wage labourer as wage labourer.

The wage labourer never gets the possibility to change their class into something else. But they always produces a relative surplus population of wage labourers in proportion to the accumulated capital. So, this constant supply of unemployed wage labourers outside there, who can be employed at will, at the expense of the existing people, who might be demanding more wage, is the key according to Marx, which makes this capitalist enterprise extremely profitable.

The classes of workers, one unable to work enough and the other forced to work too much and this circumstance keeps wages low enough to maintain profitability for the capitalists. So, this is a central key argument of Marx, because, it shows the dilemma of being a worker. Once you enter in the factory, then you completely loose independence and control over your ability, your creativity, your opinion and you become a kind of dehumanised entity, you work like a machine, as long as you are there.

If you do not take this option of selling your labour, then you join a large group of people who are desperately waiting to be employed. So, Marx argues that, the worker of a capitalist's era either have to content with these two unenviable situations. Either you remain as an unemployed, staring at starvation, looking at a very miserable life or the moment you get into a factory, then you are under another extremely oppressive system of exploitation,

This situation keeps wages low enough to maintain profitability for the capital. This is how Marx argues that the capitalists are able to maintain the maximum amount of profitability, or only through exploiting the workers. And this of course provides a very pessimistic view about industrialism and that was specially influenced by the kind of industrial atmosphere during Marxian time.

We will continue this theme in the next class because it requires more lengthy discussion. So, I am winding up here, and we will continue the same theme on Marxian analysis of capitalism in the next class. So, thank you.